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10 DOWNING STREET

THE PRIME MINISTER

25 June 1981

Dear Lord Shepherd,

It was most courteous of you to let me know in advance that you are planning to make public your letter of 24 June. I, of course, cannot object to your publishing the letter; you will, I am sure, understand that my Press Office will be making public my reply.

Let me repeat how grateful I am to you for all the work you have done as Chairman of the Board.

*Yours sincerely
Margaret Thatcher*

The Rt. Hon. Lord Shepherd.

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THE PRIME MINISTER

25 June 1981

Dear Lord Shepherd.

Thank you for your letter of 24 June tendering your resignation as Chairman of the Civil Service Pay Research Unit Board. I quite understand that you should see this as an inevitable consequence of the Government's decision to withdraw from the present Civil Service Pay Agreements and to run down the staff of the Pay Research Unit.

As you know, the Government has decided to arrange for an independent inquiry to make recommendations on future arrangements for determining Civil Service pay. The present system has lost public confidence and a thorough-going review is now required. We hope to make an announcement about the inquiry next Monday.

In your letter you refer to the role of comparability. The Government agrees that comparisons have a part to play in establishing Civil Service pay rates; but, as you will know from my letter of 12 August 1980 to which you referred, there are many other factors, such as job security, which need to be taken into account. I was glad to see that your Board recognised this in its Report.

We shall need to decide, when we have the inquiry's report, what institutional arrangements may be appropriate as part of the new system. It would not have been right for us to continue expenditure on the Pay Research Unit during

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the intervening period. The Government has already made it clear that it does not see any role for the Unit to play in relation to negotiations for a Civil Service pay settlement in 1982.

Finally, may I repeat from my earlier letter my thanks to you and to other members of your Board for their work over the years of the Board's existence.

Yours sincerely
Margaret Thatcher

The Rt. Hon. Lord Shepherd